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SUBJECT: IRELAND -- INVESTMENT CLIMATE STATEMENT 2008

REF: 07 STATE 158802

¶1. Per reftel, the following is Embassy Dublin's 2008 Investment Climate Statement submission.

¶2. The text of the submission follows.

BEGIN TEXT

IRISH GOVERNMENT'S ATTITUDE TOWARDS FOREIGN INVESTMENT

The Irish Government actively promotes foreign direct investment (FDI), a strategy that has fueled robust economic growth since the "Celtic Tiger" period of the late 1990s. Ireland's pro-investment climate saw total FDI stock grow from euro 53 billion in 1998 to euro 174 billion in 2002, before moderating to euro 141 billion in ¶2005. Traditionally, the principal goal of investment promotion has been employment creation, especially in technology-intensive and high-skill industries. More recently, the Government has focused on Ireland's international competitiveness by encouraging foreign-invested companies to enhance research and development (R&D) activities and to deliver higher-value goods and services.

The Irish Government's actions have had considerable success in attracting U.S. investment. In 2007, the U.S. investment stock in Ireland, a country of just over 4 million, was worth USD 83 billion. In 2004, U.S. investment flows into Ireland reached USD 10.4 billion, but fell to negative USD 3 billion in 2005. This reversal likely reflected the response of U.S. firms to a one-time opportunity under the 2005 American Jobs Creation Act to repatriate earnings to the United States at lower tax rates. In 2005, nevertheless, Ireland attracted USD 2 billion in U.S. manufacturing investment flow, as compared to USD 4 billion in Germany. There are roughly 620 U.S. firms in Ireland, directly employing approximately 100,000 workers and supporting work for another 250,000, out of a total labor force of 2 million. U.S. firms operate primarily in the following sectors: chemicals; bio-pharmaceuticals and medical devices; computer hardware and software; electronics; and, financial services. Ireland has become a magnet for U.S. internet/digital media investment, with industry leaders Yahoo, Google, and Amazon making Dublin the hub of their respective European operations.

U.S. companies are attracted to Ireland as an export platform to the EU. In 2006, Irish-based U.S. firms exported roughly USD 57 billion worth of goods and services, mostly destined for the EU market. Other reasons for Ireland's attractiveness as an FDI destination include: a 12.5 percent corporate tax rate for domestic and foreign firms; the quality and flexibility of the English-speaking work force; cooperative labor relations; political stability; pro-business government policies; a transparent judicial system; and, the pulling power of existing companies operating successfully in Ireland (a "clustering" effect). Factors that negatively affect

Ireland's ability to attract investment include: increasing labor costs, skilled labor shortages, inadequate infrastructure (such as in the transportation and internet/broadband sectors), and absolute price levels that are among the highest in Europe. The Irish government has become more concerned about the possibility of rising energy costs and the reliability of energy supply undermining Ireland's attractiveness as an FDI destination.

Four state organizations promote inward investment into Ireland by foreign companies:

- The Industrial Development Authority of Ireland (IDA Ireland) has overall responsibility for promoting and facilitating FDI in all areas of the country, except the Shannon Free Zone. IDA Ireland is also responsible for attracting foreign companies to Dublin's International Financial Services Center (IFSC). IDA Ireland maintains offices in New York, Chicago, San Jose, and Atlanta, as well as in Europe and Asia;

- Enterprise Ireland promotes joint ventures and strategic alliances between indigenous and foreign companies. The agency also assists foreign firms that wish to establish food and drink manufacturing operations in Ireland;

- Shannon Free Airport Development Co. (SFADCO), or "Shannon Development," handles FDI in the Shannon Free Zone (see para 61) and owns properties in the Shannon region as potential investment greenfield sites. Under the 2006 Industrial Development Amendments Act, responsibility for investment by Irish firms in the Shannon region transferred from Shannon Development to Enterprise Ireland. The IDA remains responsible for FDI in the Shannon region outside the Shannon Free Zone;

- Udaras na Gaeltachta has responsibility for economic development in those areas of Ireland where Irish (Gaelic) is the predominant language, and works with IDA Ireland to promote overseas investment in these regions.

Major Laws/Rules/Taxation Policy

Ireland's judicial system is transparent and upholds the sanctity of contracts as well as laws affecting foreign investment. These laws include:

- The Industrial Development Act of 1993, which outlines the functions of IDA Ireland;

- The Mergers, Takeovers and Monopolies Control Act of 1978, which sets out rules governing mergers and takeovers by foreign and domestic companies;

- The Competition (Amendment) Act of 1996, which amends and extends the Competition Act of 1991 and the Mergers and Takeovers (Control) Acts of 1978 and 1987, and sets out the rules governing competitive behavior;

- The Companies Act of 1963, which contains the basic requirements for incorporation in Ireland (amended in 1990); and,

- The 2004 Finance Act, which introduced tax incentives to encourage firms to set up headquarters in Ireland and to conduct R&D.

In addition, there are numerous laws and regulations pertaining to employment, social security, environmental protection and taxation, with many of these keyed to EU Directives.

One of Ireland's most attractive features as an FDI destination is the low corporate tax rate. Since January 1, 2003, the corporate tax rate for both foreign and domestic firms has been 12.5 percent. Existing foreign firms will retain their entitlement to the "old" 10 percent rate until 2010 in the case of manufacturing and certain internationally traded services. Ireland's corporate tax rate is among the lowest in the EU, and the Irish Government continues to oppose proposals not only to harmonize taxes at a single EU rate, but also to standardize the accounting methods used by EU Member States to calculate corporate taxes.

All firms incorporated in Ireland are treated on an equal basis. With only a few exceptions, there are no constraints preventing foreign individuals or entities from ownership or participation in private firms/corporations. The most significant of these exceptions is that, as with other EU countries, Irish airlines must be at least 50 percent-owned by EU residents in order to have full access to the single European aviation market. There are also requirements related to the purchase of agricultural lands (see para 9).

While Ireland does not have a formal privatization program, the Government in September 2005 privatized the state-owned national airline, Aer Lingus, through a stock market flotation that valued the carrier at euro 1.2 billion. The Government retains about a one-quarter stake in the airline. There are no barriers to participation by foreign institutions in the sale of Irish state-owned companies, as evident in the purchase of Aer Lingus shares by U.S. investors. Residents of Ireland, however, may be given priority in share allocations to retail investors, as was the case with the state-owned telecommunications company, Eircom, privatized in 1998.

Citizens of countries other than Ireland and other EU member states can acquire land for private residential purposes and for industrial purposes. Under Section 45 of the Land Act, 1965, all non-EU nationals must obtain the written consent of the Land Commission before acquiring an interest in agricultural land, though there are many stud farms and racing facilities in Ireland that are owned by foreign nationals. There are no restrictions on the acquisition of urban land.

There is no formal screening process for foreign investment in Ireland, though investors looking to receive Government grants or assistance through one of the four state agencies responsible for promoting foreign investment in Ireland are often required to meet certain employment and investment criteria (see section "D"). These screening mechanisms are transparent and do not impede investment, limit competition, or protect domestic interests. Potential investors are also required to examine the environmental impact of the proposed project and to meet with Irish Environmental Protection Agency (EPA) officials.

Conversion and Transfer Policies

Ireland uses the Euro as its national currency and enjoys full current and capital account liberalization. There are no restrictions or reported significant delays in the conversion or repatriation of investment capital, earnings, interest, or royalties, nor are there any plans to change remittance policies. Likewise, there are no limitations on the import of capital into Ireland. Foreign exchange is easily obtainable at market rates.

Expropriation and Compensation

Private property is normally expropriated only for public purposes in a non-discriminatory manner and in accordance with established principles of international law. State condemnations of private property are carried out in accordance with recognized principles of due process. Where there are disputes between owners of private property subject to a government taking, the Irish courts provide a system of judicial review and appeal.

The only recent case of expropriatory action involved a dispute over the disposition of the ownership rights to the Lusitania, the ship that was sunk off Ireland's southern coast in 1915 by a German submarine and which is owned by a U.S. citizen. In 2001, the U.S. owner brought action against the Government in the Irish courts after his applications for a license to dive to the vessel were denied. In 2005, a High Court ruling in the case noted that "the State simply cannot directly or indirectly expropriate this property from (the owner), or totally, or even substantially deny him access to or the use of his property or any part or parts of his property, even under color of merely regulating that access or use for the purpose of safeguarding a national asset, without paying appropriate compensation." In March 2007, the Irish Supreme Court ruled in favor of the U.S. citizen owner.

Dispute Settlement

Ireland has no specific domestic laws governing investment disputes with foreign firms. There is, however, a legal arbitration framework available to parties that opt to arbitrate a dispute, including investment disputes, rather than litigate the case. Currently, there are no disputes involving investments by U.S. firms either in arbitration or litigation. In recent years, however, U.S. business representatives have occasionally called into question the transparency of government tenders, some of which have been won by U.S. companies. According to some U.S. firms, lengthy budgetary decisions delay procurements, and the Government sometimes identifies preferred bidders before making a tender decision. Some U.S. firms also claim that unsuccessful bidders have had difficulty receiving information on the rationale behind the tender outcome. Conversely, successful bidders have experienced delays in finalizing contracts, commencing work on major projects, obtaining accurate project data, and receiving compensation for work completed, including through conciliation and arbitration processes. Successful bidders have also subsequently found that the original tenders do not accurately describe conditions on the ground.

The Irish legal system is based on common law, legislation and the Constitution. The Companies Act 1963 (amended 1990) is the most important body of law dealing with commercial and bankruptcy law and is applied consistently by the courts. Irish bankruptcy laws give creditors a strong degree of protection. The Department of Enterprise, Trade and Employment is the state agency with primary responsibility for drafting and enforcing company law. The judiciary is independent, and litigants are entitled to trial by jury in commercial disputes. Ireland is a member of the International Center for the Settlement of Investment Disputes, and the Irish Government has been willing to agree to binding international arbitration of investment disputes between foreign investors and the state. Ireland is also a party to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. There is no specific domestic body for handling investment disputes.

Performance Requirements and Incentives

The Irish Government does not maintain any measures that it has notified the WTO to be inconsistent with Trade-Related Investment Measures (TRIMs) requirements. Moreover, there have been no allegations that the Government maintains measures that violate the WTO's TRIMs text.

Three Irish organizations, SFADCO, IDA Ireland, and Udaras, have regulatory authority for administering grant aid to investors for capital equipment, land, buildings, training, R&D, etc. Foreign and domestic business enterprises that seek grant aid from these organizations must submit investment proposals. Typically, these proposals include information on fixed assets (capital), labor, and technology/R&D components and establish targets using criteria such as sales, profitability, exports, and employment. This information is treated in confidence by the organizations, and each investment proposal is subject to an economic appraisal prior to approval for support. In 2006, IDA Ireland paid out just over euro 90 million in grants to foreign firms, as compared to euro 87 million in 2005.

Performance requirements are generally based on employment creation targets established between the state investment agencies and foreign investors. Grant aid is paid out only after externally audited performance targets have been attained. Generally, parent companies must guarantee repayment of the government grant if the company closes before an agreed period of time elapses, normally ten years after the grant has been paid. Grant agreements generally have a term of five years after the date on which the last grant is paid. There are no requirements that foreign investors purchase from local sources or allow nationals to own shares.

New EU Regional Aid Guidelines (RAGs) that apply to Ireland were announced in 2006 and became effective on January 1, 2007. The RAGs govern the amount of grant aid that the Irish Government can provide to companies, depending on their location. The differences in the aid ceilings noted in the chart below reflect the less developed status of business/infrastructure in regions outside the greater Dublin area. For the period 2007-2008, the following ceilings

apply:

- Location
Maximum Grant % Allowed
(EE = eligible expenditure)

- Border, Midlands, West
30% on first euro 50 million of EE
15% on next euro 50 million of EE
10.2% of balance above euro 100 million of EE

- South East, Mid West, and South West
10% on first euro 50 million of EE
5% on next euro 50 million of EE
3.4% of balance above euro 100 million of EE

- East
NIL

While investors are free, subject to planning considerations, to choose the location of their investment, IDA Ireland has encouraged investment in regions outside Dublin since the 1990s. This linkage is consistent with the National Spatial Strategy, which was adopted in 2001 with the aim of spreading investment more evenly around the country (an approach that was replicated in the 2007-2013 National Development Plan, to be launched in early 2007). One of the National Spatial Strategy's stated goals was to direct 50 percent of all new jobs related to greenfield investment to the border, midlands, and western (BMW) counties of Ireland, where the economy is less developed. In 1999, roughly 25 percent of jobs related to greenfield investment were located in the BMW region; by 2006, this figure had grown to 36 percent. (The 2007-2013 National Development Plan continues to favor balanced regional investment, but now focuses more on innovative and knowledge-based activities than on the number of jobs generated per region.) In 2006, nearly 60 percent of new greenfield projects, and 6 out of every 7 R&D investments, were in areas outside Dublin. To encourage client firms to locate outside Dublin, IDA Ireland has developed "magnets of attraction," including: a Cross Border Business Park linking Letterkenny and Derry, a regional Data Center in Limerick, and the National Microelectronics Research Center in Cork. The IDA has supported construction on business parks in Oranmore and Dundalk.

There are no restrictions, de jure or de facto, on participation by foreign firms in government-financed and/or subsidized R&D programs on a national basis. In fact, the government strongly encourages foreign companies to conduct R&D as part of a national strategy to build a more knowledge-intensive, innovation-based economy. Science Foundation Ireland (SFI), the state science agency, has been responsible for administering a euro 365 million R&D fund under the 2000-2006 National Development Plan. The 2007-2013 National Development Plan envisions a significant ramp-up in such funding. The fund has targeted leading researchers in Ireland and overseas to promote within Ireland the development of biotechnology and information/communications technology, as well as complementary worker skills. Under the 2004 Finance Act, moreover, a credit of 20 percent of the incremental expenditure on revenue items, royalties, plant, and machinery related to R&D can be offset against a company's corporation tax liability in the year in which it is incurred. In 2007, IDA Ireland supported 45 R&D investment projects, involving a total investment of euro 310 million. GlaxoSmithKline initiated a research and development collaboration on Alzheimer's disease with the Institute of Neuroscience and Intel established the Technology Research for Independent Living (TRIL) Centre focused on the use of technology to support independent living for the elderly. Genzyme invested in new process development facilities in Waterford and 2007 also saw new R&D investments for Galway by Nortel and a new R&D centre proposed by Fidelity Investments.

In addition to the new RAGs, a new EU framework for research, development, and innovation (RD&I) for the 2007-2013 period has also come into force. The framework is geared toward achieving the objectives of the Lisbon Agenda, and grant support is available throughout all regions of Ireland. The table below shows grant rates for each category of eligible RD&I.

Type of Research	Grant %
-"Fundamental" (activity designed to broaden scientific and technical knowledge not linked to industrial or commercial objectives)	100
-"Industrial" (planned research of critical investigation aimed at the acquisition of new knowledge, the objective being that such knowledge may be useful in developing new products, processes or services or in bringing about a significant improvement in existing products, processes or services)	50
-"Experimental" (shaping of the results of industrial research into a plan of design for new, altered or improved products, processes or services, whether they are intended to be sold or used, including the creation of an initial prototype which could not be used commercially)	25

Visa, residence, and work permit procedures for foreign investors are non-discriminatory and, for U.S. investors, generally liberal. There are no restrictions on the numbers and duration of employment of foreign managers brought in to supervise foreign investment projects, though their work permits must be renewed yearly. There are no discriminatory export policies or import policies affecting foreign investors.

Right to Private Ownership and Establishment

The most common form of business organization in Ireland is the incorporated company, limited by shares, registered under the Companies Act, 1963, or previous legislation. Irish law does not prevent foreign corporations from carrying on business in Ireland. Any company incorporated abroad that establishes a branch must, however, file certain papers with the Registrar of Companies. A foreign corporation with a branch in Ireland will have the same standing in Irish law for purposes of contracts, etc., as a company incorporated in Ireland. Private businesses are not at a competitive disadvantage to public enterprises with respect to access to markets, credit, and other business operations.

Before 1999, Irish company law differed from international norms by allowing, for tax purposes, the registration of companies in Ireland that were not actually resident in Ireland (so-called Irish Registered Non-Resident companies (IRNRs)). In response to concern that a large number of the estimated 40,000 IRNRs were engaged in fraud, tax evasion, money laundering, and other illegal activities, the 1999 Finance Act equated registration in Ireland with tax residence and liability for all companies except in limited circumstances. Exceptions include cases where the Irish company, or a related parent company, is carrying on trade in Ireland, and the company is ultimately controlled either by residents of an EU member state or by residents of a country with which Ireland has a tax treaty (including the United States). Nonetheless, all Irish-based companies, including U.S. firms, claiming non-residence in Ireland because of tax treaty provisions must identify the beneficial owners of the company.

Similarly, the "Companies (Amendment) (No. 2) Act 1999" requires that every application for company registration in Ireland show the manner in which the proposed company will carry out activities in Ireland. Section 43 of the legislation stipulates that a company must either have a director resident in the State or provide a bond of euro 25,400 in the event that the company commits an offense under the Companies Act or tax legislation. Section 44 states that these requirements may be waived when the Company obtains a certificate from the Companies Office stating that the company has a real and continuous link with one or more economic activities in Ireland. Like the 1999 Finance Act, the Companies Act is designed to prevent the use of IRNRs for exclusively foreign activities without any connection to Ireland.

Protection of Property Rights
(I) Real Property

Secured interests in property, both chattel and real estate, are recognized and enforced. The Department of Justice administers a reliable system of recording such security interests through the Land Registry and Registry of Deeds. An efficient, non-discriminatory legal system is accessible to foreign investors to protect and facilitate acquisition and disposition of all property rights.

(II) Intellectual Property Rights

Ireland is a member of the World Intellectual Property Organization and a party to the International Convention for the Protection of Intellectual Property. In July 2000, Irish President Mary McAleese signed legislation bringing Irish intellectual property rights (IPR) law into compliance with Ireland's obligations under the WTO Trade-Related Intellectual Property Treaty (TRIPs). The legislation came into force on January 1, 2001, and gives Ireland one of the most comprehensive legal frameworks for IPR protection in Europe.

This legislation addressed several TRIPs inconsistencies in previous Irish IPR law that had concerned foreign investors, including the absence of a rental right for sound recordings, the lack of an "anti-bootlegging" provision, and low criminal penalties that failed to deter piracy. The legislation provides for stronger penalties on both the civil and criminal sides, but does not include minimum mandatory sentencing for IPR violations.

As part of this comprehensive copyright legislation, changes were also made to revise the non-TRIPs conforming sections of Irish patent law. Specifically, the IPR legislation addresses two concerns of many foreign investors in the previous legislation:

- the compulsory licensing provisions of the previous 1992 Patent Law were inconsistent with the "working" requirement prohibition of TRIPs Articles 27.1 and the general compulsory licensing provisions of Article 31; and,

- applications processed after December 20, 1991, did not conform to the non-discrimination requirement of TRIPs Article 27.1.

DVD and CD piracy, however, continues to be a problem. Industry representatives claim that the counterfeit DVD market is 1.5 times the size of the legitimate market and that DVD pirates earn roughly euro 60 million annually, at a cost of euro 115 million to the legitimate DVD industry. Industry groups also believe that light penalties given to counterfeiters in DVD piracy court cases hamper police enforcement efforts. In mid-2006, the Government responded to piracy problems by forming an inter-agency task force, which has begun a consultation process with industry on potential countermeasures. In addition to DVD and CD counterfeiting, industry sources estimate that up to 37 percent of PC software used in Ireland is pirated. The Business Software Alliance in Ireland estimates that reducing this rate by ten percentage points would help the USD 2.6 billion domestic IT industry to grow to USD 4 billion by 2009.

Transparency of Regulatory System

The Irish Government generally employs a transparent and effective policy framework that fosters competition between private businesses in a non-discriminatory fashion. While ongoing Irish judicial "Tribunals" are investigating possible links between indigenous Irish companies' political donations in the late 1980s and favorable government decisions, U.S. businesses can, in general, expect to receive national treatment in their dealings with the Government. There is no report of any U.S. firm or investor having being required or forced to make payments during that period.

In recent years, independent bodies have taken over regulatory powers from Cabinet Departments in key economic sectors. The Commission for Communications Regulation and the Commission for Energy Regulation are responsible for regulating the communications and energy sectors, respectively. Both are independent bodies with institutional links to the Department of Communications, the Marine and Natural Resources. The Commission for Aviation Regulation is an

independent body that regulates the aviation sector. It is institutionally linked to the Department of Transport, which has direct regulatory powers over other segments of the transportation sector.

The Competition (Amendment) Act 1996 amends and extends the Competition Act 1991, strengthens the enforcement power of the Competition Authority, introduces criminal liability, increases corporate liability, and outlines available defenses. Most tax, labor, environment, health and safety, and other laws are compatible with European Union regulations, and they do not adversely affect investment. Proposed laws and regulations are published in draft form for public comment, including by foreign firms and their representative associations. Bureaucratic procedures are transparent and reasonably efficient, in line with a general pro-business climate espoused by the Government.

Efficient Capital Markets and Portfolio Investment

Capital markets and portfolio investments operate freely, and there is no discrimination between Irish and foreign firms. In some instances, development authorities and banks are able to facilitate loan packages to foreign firms with favorable credit terms. Credit is allocated on market terms, although the Irish Competition Authority found in 2004 that the banking sector's lack of competition limited the amount of credit available to small and medium-sized firms. Irish legal, regulatory, and accounting systems are transparent and consistent with international norms and provide a secure environment for portfolio investment. The capital gains tax rate is 20 percent.

The Irish banking system is sound. The estimated total assets of all licensed credit institutions at the end of November 2007 was approximately euro 1.3 trillion, with the Bank of Ireland and Allied Irish Banks holding a combined 25 percent of total assets. U.S. banks operating in Ireland include Citigroup and Chase Manhattan.

As of November 2007, total market capitalization in the Irish Stock Exchange (ISE) was euro 96.6 billion. In terms of market weight, the stocks of four companies are predominant: Allied Irish Bank, Bank of Ireland, CRH (a construction industry supplier), and Elan (a pharmaceuticals firm). In September 2006, shares in the national airline, Aer Lingus, began trading on the Irish stock exchange in conjunction with the carrier's privatization. Until 2007, the Irish stock market had seen a steady recovery since plummeting in 2002 following the global economic slowdown and management problems at several major Irish companies. From 2002 to 2006, ISE delivered returns of between 19 and 28 percent each year. However, driven in part by concerns over possible spillover from the sub-prime crisis in the United States, the market capitalization fell by almost nine percent through the first 11 months of 2007. In 2005, ISEQ opened up a secondary market, the Irish Enterprise Exchange (IEX), which caters to smaller firms with a minimum market cap of euro 5 million.

In May 2003, the Central Bank of Ireland was reorganized into the Central Bank and Financial Services Authority of Ireland (CBFSAI), in accord with the Central Bank and Financial Services Authority of Ireland Act 2003. Under the legislation, the Governor of the CBFSAI has responsibility for the overall stability of the Irish financial system. The legislation also established the Irish Financial Services Regulatory Authority (IFSRA), which is an autonomous but constituent part of CBFSAI that regulates financial services institutions in Ireland and, since 2006, the Irish Stock Exchange. IFSRA took over this responsibility from a mix of government bodies, including: the Central Bank, the Department of Trade, Enterprise, and Employment (DETE), the Office of Director of Consumer Affairs, and Registrar of Friendly Societies. The legislation also enhanced the regulatory powers given to IFSRA, particularly in consumer protection.

The Central Bank is a member of the European System of Central Banks (ESCB), whose primary objective is to maintain price stability in the euro area. Ireland no longer operates an independent monetary policy. Rather, ESCB formulates and implements monetary policy for the euro-zone, and the Central Bank implements that policy at the national level. The Governor of the Central Bank is one of 18 members of the Governing Council for the ECB and has an equal say in

the formulation of monetary and interest rate policy. The other main tasks of the Central Bank include: issuing euro currency in Ireland; acting as manager of the official external reserves of gold and foreign currency; conducting research and analysis on economic and financial matters; overseeing the domestic payment and settlement systems; and, managing investment assets on behalf of the State.

The Irish Takeover Panel Act of 1997 governs company takeovers. Under the Act, the "Takeover Panel" issues guidelines, or "Takeover Rules," which aim to regulate commercial behaviour in the context of mergers and takeovers. According to minority squeeze-out provisions in the legislation, a bidder who holds 80 percent of the shares of the target company can compel the remaining minority shareholders to sell their shares. There are no reports that the legislation has been used to prevent foreign takeovers specifically, and, in fact, there have been several high-profile foreign takeovers of Irish companies in the banking and telecommunications sectors in recent years. In 2006, for example, the Australian investment group, Babcock & Brown, acquired the former national telephone company, Eircom. The EU Directive on Takeovers provides a framework of common principles for cross-border takeover bids, creates a level playing field for shareholders, and establishes disclosure obligations throughout the EU. The Directive was implemented through Irish legislation in May 2006, though many of its principles had already been enacted in the Irish Takeover Panel Act 1997.

Political Violence

(I) Impact of Northern Ireland Instability

Ireland has not experienced significant spillover of violence or instability from Northern Ireland, especially since the late 1970s and after the cease-fires of 1994. The growth of business investment and confidence in Northern Ireland following the cessation of widespread violence has benefited the Republic of Ireland, with cross-border trade reaching roughly euro 2.5 billion in 2005. In 2006, the Irish and British Governments launched a report on potential areas for cross-border economic cooperation, such as R&D collaboration, energy and transportation infrastructure linkages, and joint trade missions. The 2007-2013 National Development Plan earmarks funding to develop these linkages. No violence related to the situation in Northern Ireland has been specifically directed at U.S. citizens or firms located in the South.

The 1998 ratification of the Good Friday Agreement by large majorities in both Ireland and Northern Ireland further diminished the potential for violence. Although groups in Northern Ireland opposed to the peace process have continued to commit infrequent acts of criminality, there have been no serious incidents in the Republic of Ireland. In May 2007, the Northern Ireland Assembly was restored and local government resumed; a key landmark in the successful peace process in Northern Ireland that commenced with the Good Friday Agreement in 1998.

(II) Other Acts of Political Violence

There have been no recent incidents involving politically motivated damage to foreign investment projects and/or installations in the Republic of Ireland. In 2003, several Irish citizens opposed to the Iraq War damaged U.S. military assets at Shannon Airport. In 2004, one of these citizens was convicted in an Irish court and given a suspended sentence. In late 2005, a group of opposition and independent Irish parliamentarians said publicly that they would not oppose further attacks on U.S. military aircraft transiting Ireland. In 2006, five other Irish citizens involved in the damage of U.S. military assets in 2003 were acquitted by a jury decision in an Irish court. The jury accepted arguments by the defendants, the so-called "Shannon Five," that they had acted to prevent loss of life and property damage in Iraq.

Corruption

Corruption is not a serious problem for foreign investors in Ireland. The principal Irish legislation relating to anti-bribery and corruption includes the Public Bodies Corrupt Practices Act 1889, the Prevention of Corruption Act 1906, the Prevention of Corruption Act 1916, and the Prevention of Corruption (Amendment)

Act 2001. This body of law makes it illegal for Irish public servants to accept bribes. The Ethics in Public Office Act 1995 provides for the written annual disclosure of interests of people holding public office or employment.

Ireland signed the UN Convention on Corruption in December 2003, and ratification is pending a review of the legal measures required for implementation. In January 2000, the GOI introduced to Parliament the "Prevention of Corruption (Amendment) Act, 2001," to ratify and implement the OECD Convention on Bribery. The legislation, which enabled Ireland to ratify a number of conventions dealing with corruption drawn up by the European Union, the Council of Europe, and the OECD, came fully into force as law in November 2002. Ireland formally ratified the OECD Convention in September 2003. Ireland is also a member of the OECD Working Group on Bribery and the Group of States Against Corruption (GRECO). Under the Prevention of Corruption Act, the bribery of foreign officials is a criminal offense. Bribery of foreign officials may also invalidate a contract that a party is seeking to enforce in Ireland.

A number of ongoing judicial "Tribunals" are seeking to establish whether political donations by certain Irish companies in the late 1980s and early 1990s can be linked to favorable government decisions, mostly at the local level, in zoning and tax matters. There is also media and public concern that business interests may have compromised Irish politics in the late 1980s and early 1990s. Despite these reports of payments to political parties and figures in the 1980s and early 1990s, there remains no indication that foreign businesses or investors have had to make such payments or been approached to make such payments to conduct business during the period in question or in years since.

In 2006, the Irish media disclosed information leaked from the Mahon Tribunal that Prime Minister (Taoiseach) Bertie Ahern had, as Finance Minister in the 1990s, accepted the equivalent of roughly euro 50,000 in loans from associates. Following the disclosure, the Prime Minister made public statements about the incident, noting that his actions had not been illegal and that political favors had been neither sought nor granted in connection with the loans. The Mahon Tribunal continued to meet on occasion in 2007 without reaching any determination. Its deliberations will continue in ¶2008. Also in 2006, the Moriarty Tribunal found that former Prime Minister Charles Haughey had accepted the equivalent of roughly euro 12 million in payments between 1979 and 1996 in return for political favors, such as tax reductions for associates and the procurement of a passport.

The Irish police investigate allegations of corruption. If sufficient evidence of criminal activity is found, the Director of Public Prosecutions prepares a file for prosecution. A small number of public officials have been convicted of corruption and/or bribery in the past, although it is not a common occurrence.

Bilateral Investment Agreements

Ireland's only bilateral investment protection agreement is with the Czech Republic. In addition, Ireland has bilateral tax treaties with the following countries: Australia, Austria, Belgium, Bulgaria, Canada, Chile, China, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, India, Italy, Israel, Japan, Korea (Rep. of), Latvia, Lithuania, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Pakistan, Poland, Portugal, Romania, Russia, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, UK, the United States, and Zambia. In 2007, new treaties with Georgia, Macedonia, Moldova and Vietnam and a Protocol to the existing treaty with South Africa were agreed. Parliamentary procedures to bring into force a new treaty with Chile and a protocol amending the existing treaty with Portugal were completed by Ireland in December 2005. Existing treaties with Cyprus, France, Italy, and Korea are in the process of re-negotiation. These agreements serve to promote trade and investment between Ireland and the partner countries that would otherwise be discouraged by the possibility of double taxation. In the absence of a bilateral tax treaty, provisions within the Irish Taxes Act allow unilateral credit relief against Irish tax for tax paid in the other country in respect of certain types of income, e.g., dividends and interest.

OPIC and Other Investment Insurance Programs

Since 1986 the U.S. Overseas Private Investment Corporation (OPIC) has been authorized to operate in Ireland as part of the U.S. effort to support the process of peace and reconciliation in Northern Ireland. There is some potential in Ireland for OPIC's credit guarantee programs, such as in regard to aircraft purchases. No other countries have an investment insurance program in Ireland. Ireland is a member of the Multilateral Investment Guarantee Agency (MIGA).

The estimated annual U.S. dollar value of local currency likely to be used by the U.S. Embassy in Ireland during 2007 is approximately USD 11 million. The Embassy purchases local currency through centralized bulk purchasing arrangements at a competitive market rate. Prospects for euro-zone economic growth and for the U.S. trade and budget deficit positions will likely determine USD and euro currency movements through 2007.

Labor

In 2007, employment levels in Ireland reached historical highs, the result of continued strong economic growth. As of May 2007, the number of persons employed was roughly 2.1 million, an increase of about 75,000 from a year earlier. Since 1994, employment growth has averaged over 4.0 percent, with lower rates recorded in 2002 and 2003 following the post 9/11 global economic slowdown. Employment in production industries, including manufacturing, grew by about 3,000 in the period from May 2006 to May 2007, reversing a trend over recent years in which the number of manufacturing jobs had decreased.

In contrast to 15.6 percent unemployment in 1993, Ireland registered 4.6 percent unemployment in November 2007. This was among the lowest unemployment rates among EU Member States and roughly half the EU average. The number of unemployed people in May 2007 was about 98,000. Local economists believe that the Irish economy is as close to full employment as possible, with employers reporting difficulties in recruiting workers. Whereas Ireland's primary policy goal was once job creation, the focus of government strategy has shifted to upgrading skills and increasing the number of workers in technology-intensive, high-value sectors.

Irish labor force regulation is less restrictive compared with most continental EU countries. The Irish workforce is characterized by a high degree of flexibility, mobility, and education. There is a relative gender balance in the workforce, with 1.162 million males and 850,700 females employed as of end 2007. This gender balance reflects a change in social mores that has facilitated a surge in female employment since the mid-1980s

With the tightening of the labor market, wages remain on an upward growth curve. As of September 2006, average industrial earnings per worker were euro 601 per week, a 3.5 percent increase over September ¶2005. Between 1998 and 2003, compensation per employee increased by 37.1 percent, compared to an increase of 8.7 percent in Germany over the same period. The minimum wage was euro 5.20 when it was first introduced in 2000 and rose to euro 8.65 in July 2007. Employees earning the minimum wage will not have to pay personal income tax in ¶2008.

Unprecedented inward migration levels, particularly from Eastern Europe, have added a new dynamic to the Irish labor market. Of the 83,000 new workers added to the labor force between the third quarters of 2005 and 2006, roughly 40,500 were non-Irish nationals, working mostly in the construction and lower-end services sectors. According to Ireland's Central Statistical Office (CSO), the number of non-nationals residing in Ireland has doubled since 2002 to roughly 400,000, or roughly 9 percent of the total population. Irish labor unions and Labor Party politicians have expressed concern over the possibility of displacement of Irish workers by non-nationals. Economists observe, however, that yearly job creation in Ireland has been sufficient to accommodate both Irish and non-Irish workers and that there is no evidence of downward pressure on wages. However, the possibility of a slowdown in the global economy will undoubtedly lead to slower job creation in Ireland. Economists also hold that that Ireland will require 50,000 immigrants a year over the short term to sustain high rates of

economic growth.

The Irish system of industrial relations is a voluntary one. Pay levels and conditions of employment are generally agreed through collective bargaining between employers and employees. Since 1987, collective bargaining has taken place under the framework of a series of national economic programs, negotiated by representatives of employers, trade unions, farmers, and the government. Over the years, employers have generally implemented the benchmarks for pay and employee benefits established by the national economic programs, even thought the benchmarks do not have legal force. This consensual "Social Partnership" approach has been a major factor in improving the industrial relations climate since the mid-1980s. In 2006, the number of working days lost as a result of industrial disputes was 7,352, as compared to 130,000 in 1995.

In September 2006, Ireland's major unions and the employers' representative body agreed to the latest national economic program, "Toward 2016," under the Social Partnership framework. The agreement followed a 9-month negotiation that centered on the increasingly significant role of foreign workers in the Irish economy. The national economic program sets out consensus positions on wide-ranging social policies over a 10-year period and includes a 10-percent pay increase for workers over the first 3 years. The package encompasses measures to protect employment standards, such as the establishment of a new agency (the Office of the Director of Employment Rights Compliance), a tripling of the Labor Inspectorate, and tougher penalties for employers who exploit foreign workers. The deal also calls on the Government to engage with unions and employers in drawing up a comprehensive policy on pensions.

Employers typically resist trade union demands for mandatory trade union recognition in the workplace. While the Irish constitution guarantees the right of citizens to form associations and unions, Irish law also affirms the right of employers not to recognize unions and to deal with employees on an individual basis. Currently, roughly 33 percent of workers in the private sector are unionized, compared to 95 percent in the public sector. Among foreign-owned firms, roughly 80 percent of workers do not belong to unions, although pay and benefits are usually more attractive compared with domestic firms.

Foreign-Trade Zones/Free Ports

The Shannon duty-free Processing Zone (SDFPZ) was established by legislation in 1957. Under the legislation, eligible companies operating in the Shannon Free Zone are entitled to the following benefits: goods imported from non-EU countries for storage, handling or processing are duty-free; no duty on goods exported from Shannon to non-EU countries; no time limit on disposal of goods held duty-free; minimum customs documentation and formalities; no Value Added Tax (VAT) on imported goods, including capital equipment; choice of having import duty on non-EU product calculated on its landing value or selling-out price. Qualifying criteria for eligible companies include employment creation and export-orientation. Foreign-owned firms in the Shannon Free Zone have the same investment opportunities as indigenous Irish companies. As of 2007, there were over 110 foreign manufacturing and service companies established in the Shannon Free Zone, employing roughly 7,500 workers. Also in 2007, trade from the Shannon Free Zone amounted to euro 2.5 billion. U.S. companies, which make up 57 percent of the firms operating out of Shannon, include GE Capital, Bristol Myers Squibb, UPS, FedEx, Pfizer, Intel, and Symantec. The Shannon Free Zone is technically an asset of Shannon Development.

Duty-free exemptions are available also to companies operating in Ireland's major deep-water port at Ringaskiddy in County Cork, although these have been used infrequently in recent years.

Foreign Direct Investment Statistics

According to Ireland's Central Statistical Office (CSO), the stock of FDI in Ireland for end-year 2005 stood at euro 141 billion, or roughly 88 percent of nominal 2005 GDP and a euro 13 billion drop from 2004. Ireland had negative FDI flows of euro 25 billion in 2005, which the CSO attributed primarily to loans by Ireland-based firms to affiliates abroad. A portion of these loans likely went to

overseas affiliates that sought to repatriate earnings to the United States under a one-time lower tax rate afforded by the 2005 American Jobs Creation Act. (Note: The most recent FDI available from the CSO is 2005. In the past, CSO and U.S. Commerce Department figures for U.S. FDI in Ireland have differed, due to different calculation methods.)

In 2006, the roughly 1,000 companies supported by IDA Ireland spent almost euro 16 billion in the Irish economy from their annual sales of euro 95 billion (exports of euro 91 billion). During 2007, IDA Ireland negotiated 114 new business projects with new and existing clients, which involved a total investment commitment of euro 2.3 billion over the coming years. Also in 2007, IDA-assisted firms had a net loss of 147 jobs, and over 60 percent of new jobs in IDA-supported projects had wage and salary levels in excess of euro 40,000 annually.

IDA Ireland announced 78 new and expansion projects with U.S. companies during 2007. Roughly two-thirds of FDI projects that came to Ireland in 2006 were of U.S. origin. Forfas, a quasi-state economic think tank under the purview of Ireland's Department of Enterprise, Trade, and Employment, estimated that U.S. companies' average yearly return on investment (ROI) in Ireland between 2000 and 2004 was 16 percent.

Major U.S. Investments in Ireland

Company	Location
Apple Computers	Cork
AIG Europe	Dublin
Amazon	Dublin
Bausch & Lomb	Waterford
Berlitz	Dublin
BISYS	Waterford
Boston Scientific	Galway, Cork, Wexford
Bristol Myers Squib	Limerick, Dublin
HP-Compaq Computers	Galway, Dublin
Citigroup	Dublin
Dell Computers	Limerick, Dublin
Eastman Kodak	Limerick, Cork
eBay	Dublin
Fidelity	Dublin
Gartner Group	Limerick
Google	Dublin
Hertz	Dublin
Hewlett-Packard	Leixlip, Kildare
IBM Ireland	Dublin
Intel Ireland	Dublin, Leixlip
Johnson & Johnson	Dublin
Millipore Ireland BV	Cork
Motorola	Cork
Netscape Communications	Dublin

Novartis	Cork
Pfizer	Cork
PFPC	Navan, Wexford
Prudential Insurance	Letterkenny
3Com	Dublin
United Airlines	Dublin
US Robotics	Dublin
Woodchester Investments	Dublin
Wyeth Biopharma	Dublin
Yahoo	Dublin

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